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**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Pat Apple

FROM: Tim Rehagen, Auditor
Katie Figgs, Auditor
Kristina Luke Fry, Senior Auditor
Andria Finger, Senior Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director of Utilities

DATE: September 16, 2014

SUBJECT: 14-WSEE-428-ACA: In the Matter of the Joint Application of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval of their Annual Energy Cost Correction Adjustment Factor

EXECUTIVE SUMMARY:

Staff recommends that the Commission approve an increase of \$6,305,118 for Westar's ACA filing, which results in 0.0303 cents per kWh to be collected from Kansas customers.

BACKGROUND:

On March 20, 2014, Westar Energy, Inc. (Westar North) and Kansas Gas and Electric Company (Westar South) (collectively referred to as "Westar") filed its Application requesting approval of its respective Annual Correction Adjustment (ACA) factors under its Retail Energy Cost Adjustment (RECA) clauses.¹ Accompanying Westar's Application were the testimonies of Rebecca A. Fowler and Jerry D. Kroeker. Exhibit A attached to Ms. Fowler's testimony summarizes the actual energy costs incurred and all components of the RECA incurred by Westar during the ACA period beginning January 1, 2013, through December 31, 2013. Exhibit A also shows the over/under-recovery of energy costs and the calculation of the ACA factors for the ACA year ending December 31, 2013, to be reflected in the Westar RECA commencing with the first billing cycle in April 2014. Westar's Application stated that it experienced an under-recovery of

¹ In Docket No. 09-WSEE-925-RTS, the Commission approved a Stipulation and Agreement that resulted in the consolidation of the majority of Westar North's and Westar South's rates, including the RECA's and all other riders and surcharges. Thus, the ACA proposed in this Application was calculated on a consolidated basis and will be applied to all customers in Westar's combined service territory.

\$6,305,118. Based on this under-recovery, Westar calculates an ACA factor of 0.0303 cents per kWh to be collected from Kansas customers. Exhibit B attached to Ms. Fowler's testimony provided the monthly over/under energy cost calculations for each month in the ACA year ending December 31, 2013. Exhibit C provided details on Westar's calculation of its Asset Based Margin factor to be credited to Westar's retail customers.

ANALYSIS:

Staff solicited from Westar, via data requests, documentation supporting Westar's Application and Exhibits A, B, and C attached to the Application. Staff performed the majority of its audit in-house using the information gathered through this process. Once the desk audit was complete, Staff met with Westar at Westar's corporate office in Topeka, Kansas. This meeting allowed Staff to further question Westar about information provided in response to data requests and to review Westar's coal and rail transportation contracts. Staff notes that Westar personnel were open and forthcoming when answering questions and providing requested supporting documentation. Staff audited Westar's actual fuel costs for the following months: June, July, August and September 2013. For these months, Staff conducted an audit of the Application that consisted of:

- Testing the accuracy of the monthly Settlement Computations;
- Ensuring the actual cost adjustment computed by the utility reflects the actual over/under recoveries and the actual sales to Kansas jurisdictional customers;
- Ascertaining that the actual Fuel, Purchased Power, and Emissions costs recovered through the ECA are actual costs supported by vendor invoices and general ledger entries; and
- Verifying that the ECA factor used to calculate the customer's bill agrees with the calculation that the Company files with the Commission.

During Staff's audit, no material irregularities were found in the information provided.

RECOMMENDATION:

Staff recommends that the Commission approve an ACA factor of 0.0303 cents per kWh for the period April 2014 through March 2015 as filed.

CERTIFICATE OF SERVICE

14-WSEE-428-ACA

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served by electronic service on this 17th day of September, 2014, to the following:

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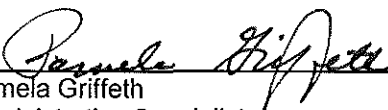
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